GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

P.Ss – Allegations of large scale irregularities and misappropriation of National Health Mission funds and A.P. Med Tech Zone, Visakhapatnam – Further action – Dropped – Orders – Issued.

GENERAL ADMINISTRATION (SC.D) DEPARTMENT

G.O. Rt. No.1645 Dated:04.10.2021

Read the following:-

1) Memo. No. GAD01-PERS0IAS(DISC)/19/2019-SC.D, General Administration (SC.D) Department, dated 02.05.2019.
2) From the Director General & E.O. Principal Secretary to Government, General Administration (V&E) Department, Letter No. 1324-1/V&E/E/2019, dated 12.09.2019.
3) U.O. Note No. GAD01-PERS0IAS(DISC)/19/2019-SC.D, General Administration (SC.D) Department, dated 17.10.2019.
4) Memo. No. GAD01-PERS0IAS(DISC)/19/2019-SC.D, General Administration (SC.D) Department, dated 17.10.2019.
5) Memo. No. GAD01-PERS0IAS(DISC)/19/2019-SC.D, General Administration (SC.D) Department, dated 28.06.2021.
6) Memo. No. GAD01-PERS0IAS(DISC)/19/2019-SC.D, General Administration (SC.D) Department, dated 07.09.2021.
7) From Dr. Poonam Malakondaiah, IAS, Special Chief Secretary to Government, Agriculture & Cooperation Department, letter No. Spl./Peshi/SPL.CS/2021, dated 08.09.2021.

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ORDER:

In the reference first read above, the complaints received from Sri Indukuri Venkata Rama Raju, Dr. M. Shankara Rao, P.O., DTT SPSR Nellore district and also the adverse news clipping published in the Andhra Jyothi Daily dated 16th and 18th October, 2017 on the alleged irregularities and misappropriation of National Health Mission Funds and A.P. Med Tech Zone, Visakhapatnam have been referred to the Vigilance & Enforcement Department for conducting a detailed enquiry into the allegations and furnish report to the Government within two months, for taking further action in the matter.

2. In the reference second read above, the Director General, Vigilance & Enforcement, A.P. has submitted an interim report, stating that as per the preliminary enquiry based on the available information prima facie observed financial and procedural irregularities and that the AMTZ has not furnish further records / files required for conducting detailed enquiry. A detailed enquiry report will be communicated soon. Therefore, in the reference third read above, a copy of the interim report has been sent to HM & FW Dept., for taking necessary action on the observations made by the Vigilance & Enforcement Department therein and in the reference fourth read above, instructions have been issued to the CEO, AMTZ directing to produce the record listed by DG. V&E immediately and to extend full cooperation in all respects to them in conducting the enquiry and that any deviation will be viewed seriously.

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3. Government, having examined the material available, decided to obtain the version of Dr. Poonam Malakondaiah, IAS, former Chairperson of the A.P. Med Tech Zone Ltd., on the findings of the Vigilance & Enforcement Department in the interim report and accordingly, in Memo. sixth read above, the MoS has been requested to submit the version in the matter. In the reference seventh read above, the MoS has submitted the version and requested to drop further action in the matter. The following are the irregularities pointed out by the Vigilance & Enforcement Dept. in the Interim Report and version of the MoS thereon:-

S. No	Issue	Irregularities noticed	Version of the MoS
1	Selection of Agency for preparation of DPR Two bids are received for selection of Agency for preparation of Detailed Project Report (DPR) for Project Medical Device Manufacturing Park. M/s. KPMG Advisory Services Pvt. Ltd. was LI. Accordingly, the work awarded to it for Rs. 42,77,540/-	Tender notice was published in 'Hindu" newspaper only, as against publication in two leading newspapers, as per G.O. Ms. No. 94, I&CAD Dept., dt:01.07.2003.	The tender notice was published in 'The Hindu' and other newspapers and also in www.cfw.ap.nic.in (the official website of Department of health, medical & Family Welfare, GoAP)
		Tenders were invited offline by Box tendering instead of e- procurement online system which is against to G.O.Ms.No. 2, Finance (W&P) Dept.,dt 03.02.2014.	AMTZ approved as implementation agency, is also receiving Central Government support, tender for AMTZ had to be done separately. For one tender, to create an e-tender portal was avoided as Board of Directors which includes central government representatives, approved non- electronic tender. Accordingly, the Tendering process was advertised in news papers for wide publicity across the country.
		The KPMG has furnished experience in preparation of DPR having turnover over more than 1000 crore for one project, as against requirement of two such projects.	The bid evaluation report dated 27.06.2016 signed by the AMTZ Board Directors mentions that both the bidders: KPMG and E&Y are technically compliant of all the parameters.
		The AMTZ failed to verify the genuineness of the documents submitted by KPMG	The genuineness of the documents submitted by KPMG were verified and found not to be fraudulent.
2	Preparation of DPR for Project Medical Device Manufacturing Park: The KPMG has submitted DPR diving it into three categories at an estimated cost of Rs. 676.10 crores. It was approved in Second Governing Body Meeting	The DPR was prepared considering 70% of the total extent as built up area and 30% as open land for construction of 12 Nos. of buildings for common scientific facilities. Detailed estimates and rate analysis for all items of works were not furnished.	AMTZ has submitted the DPR along with all the working sheets obtained from KPMG. AMTZ has also requested KPMG to share the detailed estimates and rate analysis. However, KPMG officials have informed AMTZ that for an initial project report (IPR) on turnkey projects that too of such technological complexity,

	held on 27.08.2016.		generally as a matter of practice, especially at the DPR/IPR stage, no rate analysis are prepared and the basis of estimates have been already captured in the working sheets submitted. The actual rate estimates is to be arrived by competitive bidding only.
		The total Project Cost of all three categories of works was worked out to Rs. 538.54 crores whereas in the DPR in Section 9.30 Capital Expenditure Statement it is mentioned as Rs. 563.62crores, which is in excess of Rs. 25.08 crores. Reasons for such increase were not explained by AMTZ.	The Building Const. Cost + Eng. Serv. Cost + Other Cost comes to Rs. 538.54 crores whereas the total AMTZ Contribution (Without Land) is Rs. 563.62 crores as per the working sheets submitted by KPMG.
3	Tenders for construction & Infrastructure Development Activity: AMTZ published Notification in Hindu Daily on 28.11.2016 for Project Construction Agency for Infrastructure Development Works with an estimated cost of Rs. 500 crores as against the estimated cost of Rs. 538.54 crores. Two bidders (1) LANCO and (2) NCC participated. The CEO, AMTZ approved the bid of M/s. LANCO Infra The. With bid value of Rs. 1384.14 crores which is 277% excess than the Estimated Contract Value of Rs. 500 Crores, and made advance payment of Rs. 1.75 crores. In 4th Governing Body Meeting held on 20.05.2017, the Board accorded approval to the contract in favour of L1 Bidder (M/s. Lanco). On 07.09.2017, M/s. Lanco stated that the Firm is in Bankruptcy and unable to submit the required Bank guarantee	Tender Notification was issued only in Hindu daily against the guidelines	The tender notice was published in newspapers such as 'The Economic Times' and 'Eenadu' on 28th Nov 2016 apart from www.amtz.in (the official website of the company). The first EoI floated in Sept 2016 was advertised in newspapers like "The Economic Times", "Andhra Jyoti", "The Hindu" and "Eenadu" on 12th Sept. 2016.
		Tenders were invited offline by Box tendering instead of e-Procurement online system.	AMTZ approved as Implementation agency by Govt. of India, is also receiving Central Government support, tender for AMTZ had to be done separately. For one tender, to create an e-tender portal was avoided as Board of Directors which includes Central Government representatives approved non electronic tender. Accordingly, the tendering process was advertised in newspapers for wide publicity across the country.
		As per the G.O. Ms. No. 94, I&CAD (PWW) Department dt. 01.07.2003 and existing orders the ceiling of tender premium quoted is more than 5%, the matter should be referred to the Government. In the present case, the	As per rule 174 mentioned in the AMTZ bye-laws approved by the Board of Directors as well as Govt. of AP, the CEO is authorized to issue LOI (letter of intent) to conclude the tender process and subsequently place it before the Board. The issue of LOI is neither award of contract nor conclusion of

	At the request of Firm, on 11.09.2017, the Board decided to cancel the tender and go for retender.	CEO, AMTZ unilaterally approved the tender of Li Bidder M/s Lanco Infra Tech, at their quoted value of Rs. 1384.14 Crores which is 277% excess than the Estimated Contract Value (ECV) of Rs. 500.00 Crores of the project cost and not referred to the Government for approval.	agreement. Subsequent to receipt of LOA (letter of acceptance) the CEO is required to place the matter to the board. Thereafter it is the discretion of the board to direct the CEO to undertake the next steps. In this subject since the bidder failed to agree to open the ESCROW account, the matter of asking the government did not arise. Had the tender was awarded through a contract, the board would have requested the chairperson of the board to bring the matter to the notice of government.
		The CEO, AMTZ simply approved such highly quoted tender and issued LoI without referred the tenders to some technical expert committee for verification and analysis of quoted rates which lead to misappropriation of Government funds. The CEO, AMTZ issued LoI on 03.03.2017 without approval of the Board and the Board approved the action of CEO on 20.05.2017 under the chairmanship of Dr. Poonma Malakondaiah, IAS. Certainstringent conditions Towards Technical Qualification criteria was incorporated in the tender document such as "Bidder shall have the minimum annual Turnover of INR 500 crores in each of the last three financial years and experience in minimum three projects costing Rs. 200 crores undertaken", which may curtail the competition,	As per rule-174 mentioned in the AMTZ bye-laws approved by the Board of Directors as well as Govt. of AP, the CEO is authorized to issue LOI (letter of intent) to conclude the tender process and subsequently place it before the Board. The issue of LOI is neither award of contract nor conclusion of agreement. Subsequent to receipt of LOA (letter of acceptance) the CEO is required to place the matter to the board. Given the complex nature of the scientific facilities like EMI-EMC chamber, Gamma Irradiation Centre, etc. that calls for very specialized civil construction capabilities, it was decided to keep stringent pre-qualification conditions to ensure that incompetent agencies do not take undue advantage. Also since the total project work was estimated to be approx. 400 Cr, at least 3 projects of at least half the value of the estimated works was considered as appropriate. The Project Management Consultancy firm which advertised the tender on behalf of AMTZ did the necessary verifications of the equirements of the eligibility criteria.
		As per tender condition, the bidder should furnish Solvency Certificate issued by National Bank for Rs. 50.00 crores and which is	This is an incorrect statement as the bidder Lanco Infratech Ltd. had submitted a solvency certificate for Rs. 50 crores dated 5th Jan 2017 issued by

		an essential qualification criteria for opening of the Price bid. The Bidder M/s. LANCO has not furnished required Solvency Certificate for Rs. 50.00 crores. After verification of Income Tax returns of LANCO, it is observed that the firm is having losses continuously from 2012-13 to 2016-17. Even then, the CEO, AMTZ qualified the bidder and accepted the tender of LANCO.	IDBI Bank and had qualified as per the tender conditions. Therefore, as per tender conditions, the bid could not have been rejected by the bid finalization committee. CEO-AMTZ was never a member of any bid finalization committee
		Even withoutconcluding agreement with LANCO, the CEO, AMTZ has made an advance payment of Rs. 1.75 crores to LANCO and not recovered the same so far, which is a financial loss to Government exchequer.	An advance amount of Rs. 31,87,500/- only was paid during April-May 2017 against Work Orders towards Consultancy charges for Environmental Impact Assessment (EIA) and Development of Master Plan. The balance amounts (total amounting to Rs.1.73 Crores) were paid after completion of work and submission of the reports. Furthermore, since these reports were submitted to Environmental agency and were found to be appropriate. The cost of said works which was part of cost quoted by the bidder has been as per tender conditions to be adjusted in the bills of construction. M/s. PMBSCPL has accepted to adjust this amount in their final bill vide their letter dated 22nd March 2018, thus resulting in nil cost impact on AMTZ and nil loss to exchequer.
		The AMTZ neither employed nor taken support from the Technical expert having knowledge in Rate Analysis and finalization of tenders and no Government employee is involved in the entire process. All these activities are Undergone without proper Evaluation and necessary checks.	The cost in the 3rd bid received through the 2nd tender was lowest among all bids and also comparable to market rates. The same was also found to be in order by the project management consultancy appointed for the project. The CEO had placed the details before the Board and the Board had not issued any specific instructions to the CEO to consult further external technical experts.
4	Tender for Project Management Consultancy (PMC) The AMTZ issued NIT for	Tender Notification was issued only in Hindu daily against the guidelines	The tender notice was published in `The Hindu' and other Telugu newspapers apart fromwww.amtz.in(the official website of the company).

	Project Management Consultants. In response, three bids are received. L1 Bidder M/s. Voyants Solutions Pvt. Ltd. was selected with a consultancy fee of Rs. 12,43,500/- (plus Service Tax) per month for a total period of 36 months. Agreement was concluded on 16.06.2017.	Tenders were invited offline by Box tendering instead of e-Procurement online system.	AMTZ, approved as implementation agency, is also receiving Central Government support, tender for AMTZ had to be done separately. For one tender, to create an e-tender portal was avoided as Board of Directors which includes central government representatives, approved non-electronic tender. Accordingly, the tendering process was advertised in newspaper for wide publicity across the country.
5	Re-tendering: AMTZ invited re-tender for Project Construction Agency for Infrastructure Development Works for Rs. 400 Crores, reducing the Scope of work from 270 acres to 78.67 acres. In response, Single Bidder M/s Power Mech-BSCPL Consortium had submitted the bids offline. The technical bid of Single bidder was opened on Dt:20.11.2017 and the Tender Evaluation Committee members pointed out that the Bidder had to satisfied essential qualification criteria of execution of Single Project Cost of Rs. 400.00 Crores. Therefore, the Bidder should have been disqualified. But, the CEO, AMTZ instead of disqualifying the Bidder, opened the Price Bid and started negotiations with Bidder which is violations of Tender conditions and the Government Orders in vogue.	Tender Notification was issued only in Hindu daily against the guidelines	The tender notice was published in 'The Hindu' and Telugu newspapers apart from www.amtz.in (the official website of the company).
		Tenders were invited offline by Box tendering instead of e-Procurement online system.	AMTZ, approved as implementation agency, is also receiving Central Government support, tender for AMTZ had to be done separately. For one tender, to create an e-tender portal was avoided as Board of Directors which includes central government representatives, approved non-electronic tender. Accordingly, the tendering process was advertised in newspapers for wide publicity across the country.
		The Single Bidder has not satisfied the essential qualification criteria of execution of single similar projects of value of Rs. 400 crores. The tender evaluation committee also pointed out the lapse. But the CEO, AMTZ approved the tender.	Regarding the criterion of turnover, Powermech (Lead Partner) have shown Rs 1336 Crore of average annual turnover for last three financial years against requirement of Rs 255 Crores (51% of 500 cr) BSCPL (Consortium Partner) have shown Rs 1830 crores of average annual turnover of last three financial years. Regarding the criterion of maximum cost of project executed, the Single largest project completed by PMPL is a power plant project with cost of Rs 357.10 Crores and the Single largest project completed by BSCPL is a Road project with cost of Rs 655 Crores. Considering the combined strength of the consortium, it was decided to award the project to PMBSCPL who was the sole bidder. CEO was not the member of any bid

			finalization committee. The advice of the committee was placed before the board by the CEO and directions of the board taken note of. CEO not even once deviated from the findings of the bid finalization committee and the bid finalization committee found the bid perfectly in order. Also, given that it was 2nd re-tender with 3 extensions of dates, it was prudent to put the results to the notice of the board and request further directions from the board.
		In the second negotionans the total built up area was reduced from 18,72,755 Sft to 13,90,000 Sft and agreement concluded. It is observed from 1st negations to 2nd negations the SFT rate for category-I works ws increment from Rs.4736.49 to Rs.4949.64 and for category 2 works, the quoted price of Rs.660.66 per Sft was increased to Rs.1558.67 Sft.	The cumulative cost of the negotiated rates was favourable to AMTZ along with the revised quantities within the limits approved by the Board, the contract was awarded to M/s PMBSCPL. It may be noted that even in the event of the quantities remaining unchanged across categories, the negotiated rates would have yielded lesser cumulative contract value. The negotiated rates and the cumulative project cost are much better estimates than the quoted price and cost in the bid.
6	Procurement of Machinery: Five (5) service providers were selected by bidding process and the contract were signed with service providers on Dt:16.06.2017. The genuineness of the documents submitted in support of the Bids has to be verified for their correctness and the connected records and files are not furnished by the AMTZ. A Committee with 4 members was formed by AMTZ for Assessment of Quotations submitted by Service Providers for procurement of Plants & Machinery. The Committee consists of 1) Internal Auditor of AMTZ	No member is represented from Government side and the committee itself approving the Quotations of high values without approval of Board of Directors of AMTZ and the equipment is procured.	This is an incorrect statement. The list of equipment as per the financial bids were scrutinized and approved by Technical Committee comprising of subject matter experts from eminent institutions under Govt. of India such as SAMEER (Ministry of Electronics & IT, G01), IIT, ISOMED facilityof BARC/BRIT —Mumbai among other institutions and departments and was subsequently approved by the Board of Directors. After the approval of the Technical Committee, the Audit Committee scrutinized the quotations and ensured financial due diligence. The constitutions of the Audit Committee Was also duly approved by the Board. The funds by GoI were utilized and audited as per the norms of the concerned sanctioning

	as Chairman, 2) Senior Managers, Finance and Admin of AMTZ as Member Secretaries & 3) Nodal Officer of each Scientific Facility		agency and was also placed in the Board. For example the fund given by the Ministry of Commerce & Industry, Department of Commerce, Govt. of India under TIES are 1) EMI / EMC and Electrical Safety Testing Facility, 2) Biomaterials Testing Facility, 3) 3D Design and Rapid Prototype Facility & 4) Centre for Gamma irradiation. A Project Monitoring Committee (PMC) was also constituted to implement and monitor the projects. The guidelines for implementation, verification and monitoring were done as per the guidelines of the concerned ministry. The CAG audit was also done as per the guidelines of The concerned ministry.
		The record has not been produced to the investigating agency.	Since the total number of documents pertaining to procurement of equipment of, Common Scientific Facilities were very large in number, extra time was sought for by AMTZ to provide the required information. The additional time required for providing complete & chronological details of every equipment for all hundreds of equipment was agreed by vigilance teams and the information was duly submitted.
7	Financial Transactions, expenditure incurred and receipts: AMTZ received phase-wise grants from 20-16-17 onwards from Govt. of AP/Govt. of India for establishment of the unit. An amount of about Rs. 25.00 Crores received by AMTZ through lease premiums from Manufacturing units and on leasing of office spaces.	The connected recordis not produced to investigating agency for further enquiry and to submit findings.	The data sought for by V&E was submitted by AMTZ from time to time. This includes all expenditure statements, balance sheets, auditors reports, and CAG appointed statutory auditors reports. Even for those institutions that are funded by Govt. of India and the governing body of such institutions headed by Secretary to Govt. of India level officer, the details have been shared with state vigilance teams due to their insistence of having access to records of Govt. of India funding. Such information may have ideally been shared with approval of Chairperson of Governing body (which is Secretary to Govt. of India) but given the insistence, all relevant and sought information was shared.

			The projects were also verified by the Project Management Consultant, Department of Civil Engineering, IIT, Bombay who is also on the board of AMTZ.
8	Land allocations and lease outs to manufacturing units: AMTZ has finalized lease agreements with 26 companies for manufacturing units and 6 for officer spaces. It is informed by AMTZ that the amount received from the one time lease premiums from 26 manufacturing Companies is 21.95 crores and security deposit of 6 Office Spaces is Rs.1.49 crores.	The records / connected files and the procedures followed to allot sites/ manufacturing units not furnished.	The allotment of sites and units were done on 'first come first served' basis transparently on the basis of the rates approved by the Board of Directors of AMTZ. The same is verifiable from the books of accounts, expenditure statements, income statements, auditor's reports and CAG appointed statutory auditors reports.

4. The MoS has further submitted that the work of AMTZ phase-1 was undertaken in a mammoth manner and construction of 14 lakh square feet was completed in 342 days (3rd Jan to 12th Dec. 2018). On December 13, 2018, WHO Global Forum on Medical Devices was held in AMTZ wherein more than 1200 delegates from 92 countries have participated. This was the first time United Nations Meeting on Medical Devices was held outside of Geneva, the headquarters of WHO. That, the AMTZ is now recognized by WHO as World's First Medical Equipment Zone and NITI Aayog has requested for development of 4 more such zones in the country. No tender of AMTZ, or any of its centres for any construction, technical, consultancy, instrumentation or supplies have been ever contested in court by any bidders, competitor, or supplier. Several National and International Centres / Secretariats are located in AMTZ. It has Scientific Industrial Laboratories & Centres for Electro-magnetism, lasers, 3-D printing, MRI coils, CT machine tubes; electrical safety; Biomaterial Centre; Material Characterization laboratory; Electromagnetic Interference Centre; Electromagnetic Compatibility Centre; Dialyser Fiber Extrusion Centre; Medical laser lab; Fab Lab; Mechatronics Lab; Radioisotope Tc99 and 131 generator centre; Gamma Irradiation Facility with Cobalt-60 and all Scientific Facilities required for medical devices manufacturing. That, AP Med Tech Zone (AMTZ) is the first and the only unique and successful medical equipment manufacturing zone model for manufacture of medical equipment in India. It was conceived, implemented by and operationalised by Dr. Jitendar Sharma, MD&CEO, AMTZ and all decisions implemented were taken by the Board of Directors of AMTZ. The works done were as per norms and were given to the lowest bidder by calling tender. Payments were made as per rules while the contract value as per DPR is Rs. 367.20 crores, the contract value as per bid is Rs. 357.52 crores. There are no court cases on any of the tenders by any bidder. This park is appreciated nationally at all forums and is the first of its kind in South East Asia. There are no adverse remarks in any of the CAG audits which are conducted regularly for this organization.

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5. The MoS, while denying all allegations on the affairs of AP Med Tech Zone, requested to close the case against her and also Dr. Jitendar Sharma, MD&CEO, AMTZ based on above facts.

6. After careful examination of the matter, it is observed that the Department published tender notification in the Departmental website, besides publishing in Hindu Newspaper, the genuineness of the documents submitted by KPMG were verified, the officials of Government of India are part of Board which took all decisions/ratifications. The estimates and qualify of equipment was scrutinized by the Technical Committee who are deputed from national premier institutes like IIT, BARC, BRIT, ISOMED etc. and no competitor / supplier have ever been contested the process. In respect of allegation on entrusting to LANCO, the Director General, ACB in his report dated 10.04.2018 held that the allegation is not proved and the government accepted the report and issued orders dropping further action in G.O. Rt. No. 146, HM & FW Dept., dated 23.04.2018. Taking the said facts into consideration, Government have decided to drop further action in the matter. Accordingly, Government hereby drop further action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Dr. SAMEER SHARMA
CHIEF SECRETARY TO GOVERNMENT

To
The Director General, Vigilance & Enforcement Department.
The Health Medical & Family Welfare Department.
The Industries and Commerce Department.
Dr. Poonam Malakondaiah, IAS, Special Chief Secretary to Govt., Agriculture and Cooperation Department
Copy to:
The CEO & MD, AP Med Tech Zone, Visakhapatnam.
The Secretary to Vigilance Commission, APVC.
SC/SF.

//FORWARDED::BY ORDER//

SECTION OFFICER (SC)